GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1065
ANSWERED ON:22.07.2016
Closure of PPP Projects
Ering Shri Ninong

Will the Minister of FINANCE be pleased to state:

(a) the number of Public Private Partnership (PPP) projects which have reached financial closure during the last two years;

(b) the status of each of such projects;

(c) the sectors facing most of the challenges in such infrastructure projects and the main reasons there for;

(d) the recommendations of the Kelkar Committee Report (November 2015) and the details of challenges faced by the Government in implementing such recommendations; and

(e) the measures taken to tackle the issue of Non-Performing Assets (NPAs) in the infrastructure sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b): Public Private Partnership (PPP) Project in infrastructure means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges. Further, financial closure is tied up by individual bidders with a bank/lenders' consortium after award of the project. Such projects are being undertaken by various different Sponsoring Authorities at Central and State and Local Bodies level and data is not maintained centrally.

(c)&(d): Since PPP contracts are long term, they are sometimes subject to uncertainties inherent in long term partnerships. Some sectors have seen developments which were not anticipated by either party to the concession, as pointed out by the Committee on Revisiting and Revitalising PPP Model in Infrastructure headed by Dr. Vijay Kelkar in their Report submitted to Government in November 2015. These included factors like over- leveraged balance sheets of the developers, global macro-economic developments, land acquisition, environmental/forest clearances, lack of dispute resolution mechanism, etc. The recommendations of the Committee (available in public domain on URL (http://finmin.nic.in/reports/ReportRevisitingRevitalisingPPPModel.pdf) include inter alia steps to be taken by all stakeholders including public authorities, state and regulatory authorities, corporate sector, private developers, development contractors and financial institutions. These include also constant capacity building by each group of stakeholder. While government has taken measures on its part, steps need to be taken by the other parties.

(e) The Reserve Bank of India has issued various guidelines aimed at revitalising the infrastructure stressed assets in the economy and addressing issue of Non-Performing Assets. These include:

1. Certain relaxations to project loans wherein, Date of Commencement of Commercial Operations (DCCO) of projects are allowed to be extended beyond the original DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring

2. Banks were allowed to extend structured long terms project loans with specified features and extended the framework of flexible structuring of long term project loans to specified existing project loans

3. Extended the above referred framework to external commercial borrowings (ECBs) availed for funding projects in infrastructure and core industries sectors, subject to regulations issued under the Foreign Exchange Management Act, 1999.

Other measures include revised guidelines on :-

4. Extension of DCCO − Change in Ownerships,
5. Financing of Cost Overruns in Project Loans
6. Refinancing of Project Loans
7. Timelines for Credit Decisions.
8. SARFAESI Act, 2002 for recovery of dues from borrowers
9. Debt Recovery Tribunals (DRTs) under recovery of Debts Due to banks and Financial Institutions Act, 1993,
10.Compromise/One Time Settlement,
11.Scheme for Sustainable Structuring of Stressed Assets.
12.Specific Measures have also been taken relating to Wilful Defaulters and Non-Cooperative Borrowers.